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NATIONAL INTELLIGENCE DAILY CABLE

Friday October 1, 1976

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National Intelligence Daily Cable for Friday October 1, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] The main Syrian offensive in the Mount Lebanon area apparently paused yesterday, possibly to give the Palestinians a chance to meet Syrian terms in the light of the changed military situation.

25X1 [] Syria will be in no mood to compromise.

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25X1 [] casualty figures have been low, indicating that the Palestinians made little effort to resist the Syrian advance. They are probably demoralized and might continue retreating if the Syrians decide to reopen the fighting. They could, however, try to make a stand at Alayh, where they are said to be concentrating after having salvaged most of their heavy equipment.

25X1 [] It is not clear whether the Syrians have decided to move on Alayh at this point. The Christians, however, are talking about resuming the campaign--if necessary, even without Syrian help.

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25X1 [] The leftist radio claimed yesterday that the Syrians were continuing to shell Alayh and several nearby villages on the main route to Damascus. The artillery fire may be a prelude to another Syrian push.

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25X1 [] //Fatah is apparently correct in believing that Syria has bolstered its forces in northern Lebanon, probably by several thousand troops. []

25X1 [] several Syrian battalions, including armor and artillery, entered Lebanon on Tuesday or Wednesday.//

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25X1 [] Press sources are speculating that the Christian blueprint for the future involves a "regionalized" Lebanon divided into three states: a Christian state in the mountains of central Lebanon with its capital at Juniyah; a Sunni Muslim state in the north and northeast with its capital at Tripoli; and a Shia Muslim state in the south with its capital at Nabatiyah. The federal capital would remain in Beirut, where defense, foreign affairs, and some public service functions would be handled; the states would otherwise largely administer their own affairs.

25X1 [] Such a scheme would go a long way toward solving the country's confessional problems, although it does not address the role to be played in Lebanon by either the Palestinians or the Syrians.

25X1 [] An Egyptian newspaper reported yesterday that a "mini summit" conference, long stalled because of failure by Egypt and Syria to agree on who should be invited, has been scheduled for Saturday in Jidda.

25X1 [] We suspect that the Saturday date is an Egyptian attempt to railroad Damascus into going along. Damascus will be reluctant to attend such a meeting at this juncture, but would probably be unable to hold out against a summit if the Saudis are determined to see one held.

25X1 [] Egyptian Foreign Minister Fahmi arrived unexpectedly in Paris yesterday to consult President Giscard about the Lebanon situation. The French had only a few hours' notice of the

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visit, and Quai officials did not know even after Fahmi's arrival what he would discuss. The Egyptian Foreign Ministry told the US embassy only that the visit involves Lebanon.

[redacted] Cairo newspapers reported on Wednesday speculation that Lebanese Christians are considering requesting French troops as a peace-keeping force, and the Egyptians may hope to head this off.

[redacted] Cairo is undoubtedly fearful that French troops would further tip the military balance in Lebanon toward the Christians and Syrians. On the other hand, the Egyptians might welcome and even encourage a French diplomatic effort.

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JAPAN: Miki's Fortunes Improve

[] Prime Minister Miki has gained some elbow room as a result of the political truce with his opponents, and the possibility that he will remain in office through this year's lower house elections has improved.

[] Liberal Democratic Party leaders are united on the need to concentrate on passing a number of pending fiscal bills during the session of the Diet that opened two weeks ago, and Miki has dealt carefully with sensitive issues.

[] Miki's rivals are increasingly pessimistic over the chances of renewing the challenge to the Prime Minister, largely because of the approach taken by Deputy Prime Minister Fukuda who--as Miki's recognized successor--has had the key role all along in the anti-Miki campaign.

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NORWAY-USSR: Barents Sea Dispute

25X1 [] The Norwegian government is increasingly concerned over signs that the Soviets are taking a tough position toward negotiating a demarcation line in the Barents Sea. The concern has been reinforced by the Soviet rejection in recent months of Norwegian demarches protesting Soviet missile firings into the disputed area.

25X1 [] Norwegian Foreign Minister Frydenlund expressed to Soviet Ambassador Kirichenko last month Oslo's unease about the effects on fishing and maritime traffic of the latest missile firings. Kirichenko dismissed Frydenlund's representations, asserting that the area was Soviet territory and not in dispute. Moscow rejected two previous Norwegian demarches on the same issue.

25X1 [] Both Norway and the USSR earlier agreed to hold talks that would delineate each country's control over fishing and mineral exploitation in 200-mile economic zones. The Norwegians are now convinced that the Soviets will reject any proposal short of complete capitulation--even a mutual understanding that the area remain an undefined "gray zone" to be settled later.

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USSR - INDIAN OCEAN: Arms Control

25X1 [] Foreign Minister Gromyko's statement at the UN on Tuesday that Moscow is prepared to talk to "other powers" about reducing outside military activity in the Indian Ocean is probably more a tactic to put the US on the defensive than an expression of a genuine Soviet goal. We believe the Soviets will approach the US bilaterally if they are serious about pursuing an Indian Ocean arms control agreement.

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25X1 [] Gromyko's offer comes on the heels of other signs of Soviet concern about Washington's success over the last year both in gaining support from coastal countries against Soviet naval activity in the Indian Ocean and in persuading these countries to grant the US military additional access to monitor Soviet activity.

25X1 [] The Soviets are especially concerned about policy changes by Australia and New Zealand permitting port calls by US nuclear-powered ships. They also suspect that the US may replace the UK when it withdraws from Gan in the Maldives and from Oman's Masirah Island.

25X1 [] Despite General Secretary Brezhnev's denial, both at the party congress last February and during Indian Prime Minister Gandhi's visit to the USSR in June, that the Soviets had any bases in the Indian Ocean, most of the countries in the area agree that Moscow has a base in Somalia.

25X1 [] The Soviets probably calculate that by coming out publicly in favor of talks on the Indian Ocean they will put the onus on the US for being insensitive to the concerns of countries on the ocean's periphery. They may also hope to strengthen US congressional opposition to any further expansion of US naval activity in the Indian Ocean.

25X1 [] Moscow's enthusiasm for arms control in the Indian Ocean seems to have waned considerably since the Soviets first approached the US in March 1971 about the idea of issuing a joint declaration limiting military bases and fleet concentrations there.

25X1 [] Acceptance of special restrictions for the Indian Ocean would establish a precedent that could erode Soviet positions at the Law of the Sea Conference and on freedom of the seas.

25X1 [] In addition, the Soviet navy presumably does not relish the idea of restrictions on its activities and would be especially reluctant to engage in talks on the Indian Ocean while the USSR is in an inferior bargaining position. The navy probably would also object to talking only with the US as long as the French have significant naval forces in the Indian Ocean.

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USSR-CHINA: Soviet Gestures

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[] China's rejection of the Soviet party's message of condolences last month has not deterred the USSR from continuing to take a conciliatory approach toward Peking. This morning Moscow has used the occasion of China's national day to send two additional signals to the Chinese leadership:

--The Soviet government's message of greetings to China emphasizes that the "normalization" of their relations would serve those "interested in the building of socialism and communism."

--An article today in *Pravda* stresses that the USSR is "prepared to normalize relations."

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[] Soviet greetings to the Chinese on their anniversary have become a traditional event, but the reference to serving the interests of those building socialism and communism is somewhat warmer than usual. Similarly, the article in *Pravda* does not harp on Sino-Soviet differences, but instead points out that there are "no problems" that cannot be solved given the "mutual desire to...take into account each other's interests."

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[] These signals are in line with previous Soviet moves. In addition to the condolence note--the first public message from the Soviet party in 10 years--the USSR has tailored its media treatment of China to appeal to those Chinese leaders who may favor some normalization in state relations. During his speech to the UN General Assembly on Tuesday, Foreign Minister Gromyko also pointed to Moscow's readiness to "normalize" relations.

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[] The USSR has thus gone a long way in building a case that it has done everything possible to improve relations, while the Chinese continue to be intractable. The frequency of Soviet gestures also suggests that General Secretary Brezhnev does not want to be open to the charge made against Nikita Khrushchev in the early 1960s of pursuing an unnecessarily militant policy toward China and of failing to try a more tactful approach. []

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USSR: Kirilenko Honored

25X1 [] Soviet party secretary Andrey Kirilenko's 70th birthday last month was saluted with appropriate honors, including the publication of his collected speeches and articles.

25X1 [] As General Secretary Brezhnev's unofficial deputy, Kirilenko still seems the most likely interim successor in the event of Brezhnev's sudden death or incapacitation. These almost obligatory honors serve to draw attention to his favorable position in the hierarchy.

25X1 [] Kirilenko received his second "Hero of Socialist Labor" award and official praise for his speeches. Other senior leaders--President Podgorny, Premier Kosygin, and party secretary Suslov--had already been so honored on their 70th birthdays.

25X1 [] A review of Kirilenko's collected works in *Pravda* on September 29 is not yet available here, but the embassy reports that Kirilenko is depicted as a wise, experienced leader in internal party affairs, economics, defense, and foreign policy. Earlier reviews of the collected works of the other leaders were also laudatory.

25X1 [] With his second award, Kirilenko has joined a select group entitled to have a bust erected in his hometown. Brezhnev's was unveiled with some fanfare in May, Podgorny's with less publicity last month. Kosygin's and Suslov's have not yet appeared.

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JAMAICA: Radicals Gain Strength

[] The radical wing of Jamaica's ruling People's National Party, with the apparent support of Prime Minister Manley, is gaining strength at the expense of the moderates. At the recent party congress, the radical gains were reflected in the election of parliamentary candidates and in the prominence given to the visiting Cuban delegation.

[] The radicals, who until now have been virtually shut out of the House of Representatives, stand a good chance of obtaining several seats in the next parliament. At least two of the three prominent radicals selected as candidates at the congress are almost certain to be elected. All three are likely to head key ministries in a second Manley administration if they win.

[] The radicals succeeded in having dropped from the list of candidates three moderate incumbent members of parliament; several other members of the party's old guard are retiring of their own accord.

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[] These developments, coupled with the decision to increase by seven the number of parliamentary seats, opened the way for selection of younger candidates who are likely to go along with Manley's brand of "democratic socialism." In fact, 21 of the 57 candidates who were announced will be running for parliament for the first time.

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[] For the second consecutive year, the Cuban delegation was given center stage at the congress. Jesus Montane, a member of the Cuban Communist Party Central Committee and a man who sometimes acts as Fidel Castro's personal emissary, headed the three-man Cuban delegation. Montane addressed the congress, met privately with Manley and Foreign Minister Thompson, conferred with leaders of a ruling party labor union affiliate and a party women's group, and visited various Cuban technical assistance projects.

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[] The radicals in the party are not having it all their way, however. The choice of parliamentary candidates was apparently agreed upon only after considerable backstage wrangling between radicals and moderates. The moderates were also successful recently in getting Manley to suspend indefinitely the radical head of the party's youth arm for demanding the ouster of a ruling member of parliament. []

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BRAZIL: Oil

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[] The foreign exploration subsidiary of Brazil's state petroleum monopoly, Braspetro, has made a promising oil strike in Iraq near Basra and not far from one of Iraq's major producing areas.

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[] Despite Braspetro estimates that the new find may produce between 300,000 and 1 million barrels per day, the one producing well drilled so far has produced only 4,000 barrels per day, low by Iraqi standards. Additional drilling will be required to evaluate the field.

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[] If Braspetro decides to proceed with development, it will receive 20 percent of the oil produced and an option to buy the rest at world market prices under the terms of its contract with the National Iraqi Oil Company.

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[redacted] Brazil hopes that the availability of oil from such project sharing contracts will reduce its petroleum import bill, now running at \$3.5 billion annually, nearly 30 percent of total imports. Braspetro is exploring and drilling in seven countries in the Middle East, Africa, and South America. A strike of some importance was made recently in Algeria, and strikes of less than commercial value have been made in Egypt.

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[redacted] Brazil's domestic oil production has stagnated since 1969 at about 175,000 barrels per day, and imports have grown steadily to over 800,000 barrels per day. [redacted]

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NORTH KOREA: Peace Initiative

25X1 [] North Korea may be considering some kind of "peace initiative," in part to counter the embarrassing setback incurred by the withdrawal last week of its draft resolution from the agenda of the UN General Assembly. Any diplomatic initiative probably would involve a repackaging of earlier proposals, but the North Koreans may display greater flexibility to try to draw the US into their long-proposed bilateral talks on a "peace agreement" to replace the 1953 armistice agreement.

25X1 [] North Korea may want to cover its retreat at the UN by modifying earlier positions on talks with the US and South Korea. One option would be to propose bilateral talks with the US without conditions or a prescribed agenda to discuss means for reducing tensions in Korea.

25X1 [] Alternatively, North Korea might announce qualified acceptance of the US concept of four-power talks, perhaps with a proviso that South Korea, China--and possibly additional interested powers--should participate only as observers after the ground was initially explored in private US - North Korean talks. North Korea might also indicate willingness at some point to revive the dialogue with the South which was sharply downgraded in 1973.

25X1 [] Any North Korean political initiative at this time almost certainly would be formulated with a view to encouraging a reassessment of US policy toward Korea after the US election. North Korea may therefore downplay its blunt demands for the immediate dissolution of the UN Command and the withdrawal of US forces and attempt instead to convey an impression that a phased disengagement of the US military presence would be acceptable. []

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